

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00  
INRE-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03  
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 SSC-01  
ACDA-07 TRSE-00 OMB-01 EB-07 /068 W  
-----060341 051934Z /46

O R 051749Z JUL 77  
FM AMEMBASSY MADRID  
TO SECSTATE WASHDC IMMEDIATE 890  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY COPENHAGEN  
AMEMBASSY THE HAGUE  
AMEMBASSY LISBON  
AMEMBASSY LONDON  
AMEMBASSY OSLO  
AMEMBASSY PARIS  
USMISSION NATO

C O N F I D E N T I A L SECTION 1 OF 2 MADRID 5083

USEEC

E.O. 11652: GDS  
TAGS: PINT, SP  
SUBJECT: THE NEW CABINET -- A SNAPSHOT

REF: MADRID 5031

SUMMARY: THE NEW CABINET BEARS SUAREZ' STAMP WITH MEN CLOSE  
TO HIM IN KEY PLACES. AND, AS EXPECTED, IT IS A BALANCED  
-- BUT NOT CALIBRATED-CABINET, INCORPORATING ELEMENTS  
FROM THE VARIOUS POLITICAL FACTIONS THAT MAKE UP SUAREZ'  
UCD, PLUS A NUMBER OF HOLDOVERS AND A COUPLE OF TECHNOCRATS.  
THE ADMINISTRATIVE RE-ORGANIZATION THAT PRECEDED THE ANNOUNCE-  
MENT OF THE CABINET MARKS THE DEMISE OF ONE OF THE LAST  
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INSTITUTIONAL VESTIGES OF FRANCOISM, THE OLD SYNDICAL  
MINISTRY, AND ESTABLISHES A NEW DEFENSE MINISTRY, WITH  
THE DETAILS YET TO BE SKETCHED IN, HEADED BY FIRST VICE  
PRESIDENT OF GOVT GUTIERREZ MELLADO, WHO ASKED TO GO OFF  
ACTIVE DUTY TO ESTABLISH A HALFWAY HOUSE TO CIVILIAN  
DEFENSE CONTROL. THERE WERE SOME SURPRISES, INCLUDING THE  
NAMING OF THE ECONOMIST FUENTES QUINTANA AS SUPER ECONOMIC

MINISTER (AND SECOND VICE PRESIDENT) REVERSING THE PREDICTED ROLES WITH SOCIAL DEMOCRAT LEADER FERNANDEZ ORDONEZ, WHO IS FINANCE MINISTER. SOME PRESS AND THE OPPOSITION CLAIM THE CABINET IS POPULATED BY THE HEIRS OF THE FRANCO REGIME IN INVIDIOUS DISTINCTION TO THE "CENTER LEFT" CAST THE GOVT GIVES ITSELF, IN FACT, THE GOVT MUST DEAL RESPONSIBLY WITH SPAIN'S ECONOMIC DIFFICULTIES AND INSTITUTE NEEDED REFORMS, IN ADDITION TO WRITING A NEW CONSTITUTION TO FIT THE NEW SPAIN. UPON THE SUCCESS OF THE GOS EFFORT TO SEIZE THE HIGH GROUND OF REFORM FROM THE LEFT, RATHER THAN SEMANTIC DISPUTE, WILL DEPEND THE GOVT'S IMAGE AND FUTURE ELECTORAL PROSPECTS. END SUMMARY.

1. SUAREZ HAS HIS OWN CABINET, UNLIKE THE LAST TIME A YEAR AGO WHEN THE THEN RELATIVELY UNKNOWN PRIME MINISTER HAD TO SCRATCH, WITH HELP FROM ALFONSO OSORIO, TO GET TOGETHER A MAKESHIFT LIST WHICH TURNED OUT, IN THE MAIN, NOT BADLY AT ALL.

2. THE NEW CABINET'S GENERAL COMPOSITION REFLECTS WHAT WAS EXPECTED, REPRESENTATION FROM THE MAJOR UCD TENDENCIES (SOCIAL DEMOCRAT, CHRISTIAN DEMOCRAT, LIBERAL, AND SUAREZ' OWN MEN), PLUS HOLDOVER CABINET MINISTERS AND A FEW TECHNOCRATS, BUT IN THE DETAILS THERE WERE SURPRISES.

3. WE HAD REPORTED EARLIER THAT GUTIERREZ MELLADO, IN THE MOST SIGNIFICANT SINGLE STEP IN THE REORGANIZATION  
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OF THE CABINET (SEPTTEL), WOULD BECOME DEFENSE MINISTER, AND ASK TO STEP DOWN FROM ACTIVE DUTY. BUT OUR UNDERSTANDING THAT HE WOULD BE THE ONLY VICE PRESIDENT TURNED OUT TO BE INCORRECT, ALMOST CERTAINLY RESULTING FROM A LAST-MINUTE CHANGE, PROBABLY INDUCED BY THE NEED TO EMPHASIZE THE GOVT'S DETERMINATION TO TAKE ACTION ON THE ECONOMIC FRONT AND TO GIVE FUENTES QUINTANA, THE ECONOMIST, A SUPER-MINISTRY TITLE. ALSO THE SELECTION OF A THIRD VICE PRESIDENT FOR POLITICAL AFFAIRS, ABRIL MARTORELL, IS SOMETHING OF A SURPRISE, THOUGH NOT ENTIRELY, BECAUSE HE IS WELL KNOWN AS A CLOSE CONFIDANT OF SUAREZ AND, FOR THAT REASON, WAS CONSIDERED A SURE BET TO STAY ON IN SOME CAPACITY.

4. IN THE POLITICAL ARENA, IT IS CLEAR THAT SUAREZ INTENDS TO KEEP THE REINS VERY MUCH IN HIS OWN HANDS. HIS ELEVATION OF ABRIL, WHO OWES HIS POLITICAL CAREER TO SUAREZ AND IS VERY MUCH SUAREZ' MAN, TO THE POLITICAL SUPER-MINISTRY, RATHER THAN SOMEONE WITH HIS OWN POLITICAL BASE LIKE CABANILLAS, IS A STRONG INDICATION. MOREOVER, ALL OTHER MAJOR "POLITICAL" MEMBERS OF THE CABINET EITHER ARE SUAREZ MEN (OTERO, SANDHEZ DE LEON) OR RECOGNIZE

THAT THEY OWE THEIR ELECTION IN GOOD MEASURE TO SUAREZ'  
LEADERSHIP OF THE UCD.

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5. THE ECONOMIC AREA OFFERS FOOD FOR SPECULATION. FUENTES  
QUINTANA'S ACCEPTANCE OF THE ECONOMIC SUPER-MINISTRY (HE  
HAS TURNED DOWN ECONOMIC CABINET POSTS IN THE PAST) SUGGESTS  
THAT SUAREZ HAS COMMITTED HIMSELF TO ECONOMIC MEASURES  
AND REFORMS OVER THE SHORT TERM, AND HAS ENPOWERED FUENTES  
QUINTANA (AND FERNANDEZ ORDONEZ) TO FORMULATE AND IMPLEMENT  
SUCH A PROGRAM.

-- THE IMMEDIATE ECONOMIC MEASURES ARE LIKELY TO  
RESEMBLE TO SOME EXTENT A CLASSICAL STABILIZATION PROGRAM  
INCLUDING MONETARY RESTRICTION, FISCAL RESTRAINT, AND  
EVENTUAL DEVALUATION OF THE PESETA. THEY WILL NOT BE  
INCLINED TO DEAL WITH SPAIN'S BALANCE OF PAYMENTS PROBLEM  
BY INCREASED PROTECTIONISM.

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-- THAT FUENTES QUINTANA, RATHER THAN FERNANDEZ ORDONEZ, GOT THE ECONOMIC VICE PRESIDENCY SUGGESTS A PRICE FOR GETTING A RELUCTANT FUENTES QUINTANA TO TAKE ON A MAJOR ECONOMIC ROLE AND FOR BRINGING THE FINANCIAL COMMUNITY, WHICH VIEWS FERNANDEZ ORDONEZ AS TOO PROGRESSIVE, ON BOARD.

-- IN CONTRAST, A SOCIALIST LEADER, PROBABLY FORESHADOWING THE PARTY'S PUBLIC POSTURE, TOLD EMBOFF THAT THE APPOINTMENT OF THE MORE CONSERVATIVE FUENTES UNDERMINES THE GOOD OF FERNANDEZ ORDONEZ' APPOINTMENT. FROM THIS PERSPECTIVE, PERHAPS IT IS BEST THAT THE TECHNICIAN TAKE THE POLITICAL HEAT ON ANY STABILIZATION MEASURES WHILE FERNANDEZ ORDONEZ, THE ECONOMIST TURNED POLITICIAN, TAKES THE CREDIT FOR TAX REFORM. THOUGH IT MUST BE REMEMBERED THAT TAX REFORM HAS BEEN A HOT POTATO THAT HAS PREVIOUSLY BURNED FINANCE MINISTERS. AT ALL EVENTS FERNANDEZ ORDONEZ WAS QUOTED AS HAVING PERSONALLY WORKED ON FUENTES TO TAKE THE JOB.

6. WE ALREADY ARE HEARING THE CHARGE IN SOME QUARTERS HERE THAT SUAREZ' SECOND GOVT IS OLD WINE IN NEW BOTTLES, FRANCOISM WITH A HUMAN FACE AS IT WERE. THIS IS UNFAIR. WHILE SOME IN THE GOVT, LIKE SUAREZ, ARE PRODUCTS OF THE REGIME, THEY (AGAIN, LIKE SUAREZ) HAVE EVOLVED EXTREMELY RAPIDLY. THE MAJORITY OF THE NEW MINISTERS, HOWEVER, EITHER HELD LOW OR MIDDLE LEVEL POSITIONS IN PREVIOUS GOVTS BUT BROKE WITH THE REGIME AND WENT INTO OPPOSITION WELL PRIOR TO FRANCO'S DEATH (FERNANDEZ ORDONEZ, OREJA, CAMUNAS) OR WERE LONG-TIME LEADERS OF THE MODERATE OPPOSITION TO THE REGIME (CAVERO -- PUT IN DETENTION BY FRANCO'S POLICE -- AND GARRIGUES).

7. AT ALL EVENTS, IT WILL BE THE GOVT PROGRAM AND PERFORMANCE THAT WILL DETERMINE ITS IMAGE AND FUTURE ELECTORAL FORTUNES  
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RATHER THAN THE SEMANTICS OVER WHETHER IT IS TO

THE LEFT OR RIGHT OF CENTER. MAJOR FIGURES IN THE NEW CABINET HAVE TOLD US, WITH EVIDENT SINCERITY, THAT THE TASK OF THE NEW GOVT, IN ADDITION TO CONSTITUTION WRITING, IS TO GET THE COUNTRY'S ECONOMIC HOUSE IN ORDER AND PRODUCE REFORMS THAT WILL, IN THE ROOSEVELTIAN MANNER, CUT THE GROUND AWAY FROM THE LEFT. ALL THIS TESTIFIES TO JUST HOW FAR SPAIN HAS COME IN ENTERING THE WESTERN DEMOCRATIC GAME, WHERE GOVT AND OPPOSITION PERFORMANCE BECOME THE DETERMINANTS OF FUTURE ELECTORAL SUCCESS OR FAILURE. STABLER

NOTE BY OC/T: #AS RECEIVED

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## Message Attributes

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**Review Markings:**  
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